

**TOWN OF ALEXANDRIA,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015**

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Alexandria
Alexandria, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Alexandria as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Alexandria as of December 31, 2015, and the respective changes in financial position and budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1-Q and 2-C to the financial statements, in 2015, the Town changed its method of accounting for pension reporting with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

*Town of Alexandria
Independent Auditor's Report*

Other Matters

Management's Discussion and Analysis - Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Requires Supplementary Information – Accounting principles generally accepted in the United States of America require that the Schedule of Town's Proportionate Share of Net Pension Liability (page 29) and the Schedule of Town Contributions (page 30) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Alexandria's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

June 29, 2016

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Statement of Net Position
December 31, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,681,534
Investments	555,252
Taxes receivable (net)	524,732
Account receivables	3,900
Tax deeded property, subject to resale	41,455
Capital assets:	
Land and construction in progress	130,725
Other capital assets, net of depreciation	3,917,214
Total assets	6,854,812
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	28,436
LIABILITIES	
Accounts payable	33,755
Accrued interest payable	3,189
Intergovernmental payable	1,374,622
Long-term liabilities:	
Due within one year	25,000
Due in more than one year	165,188
Net pension liability	418,383
Total liabilities	2,020,137
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	61,669
NET POSITION	
Net investment in capital assets	3,872,939
Restricted	538,701
Unrestricted	389,802
Total net position	\$ 4,801,442

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 333,365	\$ 4,902	\$ -	\$ (328,463)
Public safety	275,258	4,794	-	(270,464)
Highways and streets	637,533	2,033	79,043	(556,457)
Sanitation	163,216	15,492	-	(147,724)
Health	22,570	-	-	(22,570)
Welfare	19,346	-	-	(19,346)
Culture and recreation	30,316	-	-	(30,316)
Conservation	4,919	-	-	(4,919)
Interest on long-term debt	7,707	-	-	(7,707)
Total governmental activities	<u>\$ 1,494,230</u>	<u>\$ 27,221</u>	<u>\$ 79,043</u>	<u>(1,387,966)</u>
General revenues:				
Taxes:				
Property				1,019,522
Other				83,017
Motor vehicle permit fees				281,517
Licenses and other fees				9,167
Grants and contributions not restricted to specific programs				79,134
Unrestricted investment earnings				7,414
Contributions to permanent funds				1,000
Miscellaneous				41,119
Total general revenues				<u>1,521,890</u>
Change in net position				133,924
Net position, beginning, as restated (see Note 15)				4,667,518
Net position, ending				<u>\$ 4,801,442</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2015

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,528,644	\$ 24,047	\$ 43,476	\$ 1,596,167
Investments	34,514	520,738	-	555,252
Accounts receivable	3,000	-	900	3,900
Taxes receivable	554,732	-	-	554,732
Interfund receivable	6,389	-	3,075	9,464
Tax deceded property, subject to resale	41,455	-	-	41,455
Restricted assets:				
Cash and cash equivalents	85,367	-	-	85,367
Total assets	<u>\$ 2,254,101</u>	<u>\$ 544,785</u>	<u>\$ 47,451</u>	<u>\$ 2,846,337</u>
LIABILITIES				
Accounts payable	\$ 33,755	\$ -	\$ -	\$ 33,755
Intergovernmental payable	1,374,622	-	-	1,374,622
Interfund payable	3,075	6,084	305	9,464
Total liabilities	<u>1,411,452</u>	<u>6,084</u>	<u>305</u>	<u>1,417,841</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	91,355	-	-	91,355
FUND BALANCES				
Nonspendable	41,455	494,066	-	535,521
Restricted	69,588	44,635	-	114,223
Committed	95,367	-	47,146	142,513
Unassigned	544,884	-	-	544,884
Total fund balances	<u>751,294</u>	<u>538,701</u>	<u>47,146</u>	<u>1,337,141</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,254,101</u>	<u>\$ 544,785</u>	<u>\$ 47,451</u>	<u>\$ 2,846,337</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2015

Total fund balances of governmental funds (Exhibit C-1)	\$	1,337,141
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$	5,958,464
Less accumulated depreciation		<u>(1,910,525)</u>
		4,047,939
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$	28,436
Deferred inflows of resources related to pensions		<u>(61,669)</u>
		(33,233)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$	(9,464)
Payables		<u>9,464</u>
		-
Long term revenue (taxes) is not available to pay current-period expenditures and therefore, is deferred in the governmental funds.		
		91,355
Allowance for uncollectible property taxes that is recognized on a full accrual basis but not on the modified accrual basis.		
		(30,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(3,189)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$	175,000
Compensated absences		15,188
Net pension liability		<u>418,383</u>
		(608,571)
Net position of governmental activities (Exhibit A)	\$	<u><u>4,801,442</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2015

	General	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,078,030	\$ -	\$ 1,125	\$ 1,079,155
Licenses and permits	290,684	-	-	290,684
Intergovernmental	158,177	-	-	158,177
Charges for services	17,301	-	8,520	25,821
Miscellaneous	42,578	8,355	-	50,933
Total revenues	<u>1,586,770</u>	<u>8,355</u>	<u>9,645</u>	<u>1,604,770</u>
EXPENDITURES				
Current:				
General government	323,342	2,120	-	325,462
Public safety	270,397	-	3,784	274,181
Highways and streets	519,299	-	-	519,299
Sanitation	169,009	-	-	169,009
Health	22,570	-	-	22,570
Welfare	19,346	-	-	19,346
Culture and recreation	30,316	-	-	30,316
Conservation	791	-	4,128	4,919
Debt service:				
Principal	25,000	-	-	25,000
Interest	8,117	-	-	8,117
Capital outlay	197,000	-	-	197,000
Total expenditures	<u>1,585,187</u>	<u>2,120</u>	<u>7,912</u>	<u>1,595,219</u>
Excess of revenues over expenditures	<u>1,583</u>	<u>6,235</u>	<u>1,733</u>	<u>9,551</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,084	-	-	6,084
Transfers out	-	(6,084)	-	(6,084)
Total other financing sources (uses)	<u>6,084</u>	<u>(6,084)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,667	151	1,733	9,551
Fund balances, beginning, as restated (see Note 15)	743,627	538,550	45,413	1,327,590
Fund balances, ending	<u>\$ 751,294</u>	<u>\$ 538,701</u>	<u>\$ 47,146</u>	<u>\$ 1,337,141</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2015

Net change in fund balances of governmental funds (Exhibit C-3)	\$	9,551
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense and capital asset disposals in the current period.		
Capitalized capital outlay	\$ 237,911	
Capital asset disposals	(17,902)	
Depreciation expense	<u>(178,162)</u>	41,847
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (6,084)	
Transfers out	<u>6,084</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ 14,338	
Change in allowance for uncollectible property taxes	<u>9,046</u>	23,384
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
		36,675
The repayment of principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond principal		25,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 410	
Increase in compensated absences payable	<u>(2,943)</u>	<u>(2,533)</u>
Changes in net position of governmental activities (Exhibit B)		<u>\$ 133,924</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,041,981	\$ 1,101,414	\$ 59,433
Licenses and permits	259,500	290,684	31,184
Intergovernmental	157,504	158,177	673
Charges for services	20,000	17,301	(2,699)
Miscellaneous	34,300	42,568	8,268
Total revenues	<u>1,513,285</u>	<u>1,610,144</u>	<u>96,859</u>
EXPENDITURES			
Current:			
General government	333,330	323,342	9,988
Public safety	275,192	270,397	4,795
Highways and streets	561,110	519,299	41,811
Sanitation	159,546	169,009	(9,463)
Health	25,552	22,570	2,982
Welfare	22,300	19,346	2,954
Culture and recreation	29,074	30,316	(1,242)
Conservation	630	791	(161)
Debt service:			
Principal	25,000	25,000	-
Interest	10,451	8,117	2,334
Capital outlay	197,000	197,000	-
Total expenditures	<u>1,639,185</u>	<u>1,585,187</u>	<u>53,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(125,900)</u>	<u>24,957</u>	<u>150,857</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	65,900	66,084	184
Transfers out	(40,000)	(40,000)	-
Total other financing sources (uses)	<u>25,900</u>	<u>26,084</u>	<u>184</u>
Net change in fund balance	<u>\$ (100,000)</u>	51,041	<u>\$ 151,041</u>
Increase in nonspendable fund balance		(20,239)	
Increase in restricted fund balance		(69,588)	
Increase in committed fund balance		(10,000)	
Unassigned fund balance, beginning, as restated (see Note 15)		<u>655,025</u>	
Unassigned fund balance, ending		<u>\$ 606,239</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2015

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 25,098	\$ 4,867
Investments	543,504	-
Total assets	568,602	4,867
LIABILITIES		
Due to others	-	4,867
NET POSITION		
Held in trust for specific purposes	\$ 568,602	\$ -

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2015

	Private Purpose Trust
ADDITIONS	
Interest	\$ 13,028
DEDUCTIONS	
Scholarships	10,088
Change in fair market value	9,733
Total deductions	19,821
Change in net position	(6,793)
Net position, beginning	575,395
Net position, ending	\$ 568,602

The notes to the basic financial statements are an integral part of this statement.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

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TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Alexandria, New Hampshire (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Alexandria is a municipal corporation governed by an elected 3-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Town reports the following major governmental funds:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Permanent Funds – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental funds column of the fund financial statements.

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Fund – is used to account for the financial resources and activities relating to specific construction projects.

Fiduciary Funds – The Town also reports the following fiduciary funds:

Private Purpose Trust Funds – accounts for money left for the benefit of students.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Restricted Assets

Certain cash balances are classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

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1-F Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-G Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-H Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as "Interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-I Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	30
Buildings and building improvements	50 - 126
Machinery, equipment, and vehicles	8 - 30
Infrastructure	50

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

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1-J Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 19, 2015 and November 18, 2015, and due on July 1, 2015 and December 23, 2015. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Newfound Area School District, and Grafton County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2015 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 186,371,891
For all other taxes	\$ 204,496,891

The tax rates and amounts assessed for the year ended December 31, 2015 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.09	\$ 1,041,817
School portion:		
State of New Hampshire	\$2.32	432,271
Local	\$12.12	2,478,051
County portion	\$1.47	300,245
Total		\$ 4,252,384

1-L Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-M Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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1-N Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-O Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-P Net Position/Fund Balance Reporting

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – This classification includes the residual fund balance for the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

1-Q Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan’s independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2015, \$100,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis presents the actual results to provide a comparison with the budget.

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The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 1,676,228
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record interest earned on blended expendable trust funds	10
To eliminate transfers between blended funds	(60,000)
Change in deferred tax revenue relating to 60-day revenue recognition	(14,338)
Change in allowance for uncollectible property taxes	(9,046)
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,592,854</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 1,625,187
Adjustment:	
Basis differences:	
GASB Statement No. 54:	
To eliminate transfers between general and expendable trust funds	(40,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,585,187</u>

2-C Change in Accounting Principle

Effective July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the Town calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the Town has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of January 1, 2015 by \$488,292 (see Note 15). The reduction accounts for the associated net position liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

Also, the Town adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement addresses and issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employer and nonemployer contributing entities.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2015, the reported amount of the Town’s deposits was \$1,711,499 and the bank balance was \$1,644,280. Of the bank balance \$809,143 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$835,137 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 1,681,534
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	29,965
Total cash and cash equivalents	<u>\$ 1,711,499</u>

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town’s fiscal agent or custodian provides the fair value of all intermediate maturity investments.

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At December 31, 2015, this Town had the following investments:

	<u>Fair Value</u>
Investments type:	
Domestic equity mutual funds	\$ 25,067
Initial equity mutual funds	50,428
Closed end mutual funds	526,328
Fixed income funds	462,419
New Hampshire Public Deposit Investment Pool	34,514
Total fair value	<u>\$ 1,098,756</u>

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 555,252
Investments per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	543,504
Total investments	<u>\$ 1,098,756</u>

NOTE 5 – RESTRICTED CASH

Cash in the general fund in the amount of \$85,367 is restricted for expendable trust purposes.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2015. The amount has been reduced by an allowance for an estimated uncollectible amount of \$30,000 taxes receivable by year are as follows:

	<u>Exhibit A</u> <u>(Accrual Basis)</u>	<u>Exhibit C-1</u> <u>(Modified</u> <u>Accrual Basis)</u>
Property:		
Levy of 2015	\$ 404,424	\$ 404,424
Unredeemed (under tax lien):		
Levy of 2014	82,967	82,967
Levy of 2013	52,233	52,233
Levies of 2012 and prior	8,790	8,790
Yield	168	168
Land use change	6,150	6,150
Less: allowance for estimated uncollectible taxes	(30,000) *	-
Net taxes receivable	<u>\$ 524,732</u>	<u>\$ 554,732</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2015, consisted of accounts arising from billings for police details, reimbursements, and other user charges. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 130,725	\$ -	\$ -	\$ 130,725
Being depreciated:				
Land improvements	61,970	-	-	61,970
Buildings and building improvements	1,634,713	-	-	1,634,713
Machinery, equipment, and vehicles	1,411,497	181,656	(122,512)	1,470,641
Infrastructure	2,604,160	56,255	-	2,660,415
Total capital assets being depreciated	<u>5,712,340</u>	<u>237,911</u>	<u>(122,512)</u>	<u>5,827,739</u>
Total all capital assets	<u>5,843,065</u>	<u>237,911</u>	<u>(122,512)</u>	<u>5,958,464</u>
Less accumulated depreciation:				
Land improvements	(53,670)	(953)	-	(54,623)
Buildings and building improvements	(315,212)	(26,988)	-	(342,200)
Machinery, equipment, and vehicles	(825,514)	(64,624)	104,610	(785,528)
Infrastructure	(642,576)	(85,598)	-	(728,174)
Total accumulated depreciation	<u>(1,836,973)</u>	<u>(178,162)</u>	<u>104,610</u>	<u>(1,910,525)</u>
Net book value, capital assets being depreciated	<u>3,875,367</u>	<u>59,749</u>	<u>(17,902)</u>	<u>3,917,214</u>
Net book value, all capital assets	<u>\$ 4,006,092</u>	<u>\$ 59,749</u>	<u>\$ (17,902)</u>	<u>\$ 4,047,939</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 12,010
Public safety	14,176
Highways and streets	150,564
Sanitation	1,412
Total depreciation expense	<u>\$ 178,162</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Permanent	\$ 6,084
Nonmajor	General	3,075
General	Nonmajor	305
		<u>\$ 9,464</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2015 is as follows:

	<u>Transfers In:</u>
	General
	Fund
Transfers out:	
Permanent	<u>\$ 6,084</u>

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During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$1,374,622 at December 31, 2015 consist of the balance of the 2015-2016 district assessment due to the Newfound Area School District.

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources of \$28,436 and \$61,669 respectively in the government wide financial statements at December 31, 2015 consists of deferred amounts related to pensions. See Note 16 for more information on pension related deferrals.

Deferred inflows of resources of \$91,355 reported in the governmental funds as unavailable revenue consists of property taxes not collected within 60 days of year-end.

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2015:

	Balance January 1, 2015			Balance December 31, 2015		Due Within One Year
		Additions	Reductions			
General obligation bond payable	\$ 200,000	\$ -	\$ (25,000)	\$ 175,000	\$ 25,000	
Compensated absences	12,245	4,257	(1,314)	15,188	-	
Total long-term liabilities	<u>\$ 212,245</u>	<u>\$ 4,257</u>	<u>\$ (26,314)</u>	<u>\$ 190,188</u>	<u>\$ 25,000</u>	

Long-term liabilities are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2015	Current Portion
General obligation bond payable:						
Town shed	\$ 500,000	2002	2022	3.0-5.0	\$ 175,000	\$ 25,000
Compensated absences payable:						
Accrued vacation leave					15,188	-
Total					<u>\$ 190,188</u>	<u>\$ 25,000</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2015, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2016	\$ 25,000	\$ 7,574	\$ 32,574
2017	25,000	6,475	31,475
2018	25,000	5,224	30,224
2019	25,000	5,000	30,000
2020	25,000	3,750	28,750
2021-2022	50,000	3,750	53,750
Totals	<u>\$ 175,000</u>	<u>\$ 31,773</u>	<u>\$ 206,773</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

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NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2015 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 4,047,939
Less:	
General obligation bond payable	(175,000)
Total net investment in capital assets	3,872,939
Restricted net position:	
Perpetual care - nonexpendable portion	494,066
Perpetual care - expendable portion	44,635
Total restricted net position	538,701
Unrestricted	389,802
Total net position	\$ 4,801,442

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2015 include the following:

	General Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Tax deeded property	\$ 41,455	\$ -	\$ -	\$ 41,455
Permanent - principal balance	-	494,066	-	494,066
Total nonspendable fund balance	41,455	494,066	-	535,521
Restricted:				
Town hall generator	69,588	-	-	69,588
Permanent - income balance	-	44,635	-	44,635
Total restricted fund balance	69,588	44,635	-	114,223
Committed:				
Expendable trust	85,367	-	-	85,367
Nonlapsing appropriations	10,000	-	-	10,000
Conservation commission	-	-	22,247	22,247
Police detail	-	-	11,689	11,689
Transfer station	-	-	13,210	13,210
Total committed fund balance	95,367	-	47,146	142,513
Unassigned	544,884	-	-	544,884
Total governmental fund balances	751,294	538,701	47,146	1,337,141

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NOTE 15 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2015 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund (Unassigned) (Exhibit D)	General Fund (Exhibit C-3)	Other Governmental Funds
To adjust for the balance of the capital project fund which should have been closed into the general fund in prior years	\$ -	\$ 69,588	\$ 69,588	\$ (69,588)
To record the beginning balance (for implementation of GASB Statements No. 68 and 71):				
Deferred outflows of resources	9,558	-	-	-
Deferred inflows of resources	(56,474)	-	-	-
Net pension liability	(441,376)	-	-	-
Net position/fund balance, as previously reported	5,155,810	585,437	674,039	115,001
Net position/fund balance, as restated	<u>\$ 4,667,518</u>	<u>\$ 655,025</u>	<u>\$ 743,627</u>	<u>\$ 45,413</u>

NOTE 16 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
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AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2015, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2015 for pension and medical subsidy were as follows:

Period	Police	Fire	All Other Employees
January 1, 2015 thru June 30, 2015	25.30%	27.74%	10.77%
July 1, 2015 thru December 31, 2015	26.38%	29.16%	11.17%

The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$33,882, \$37,972, and \$44,316, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2015 the Town reported a liability of \$418,383 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the Town's proportion was 0.01056116% which was an decrease of 0.00119763% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$36,675. At December 31, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 7,483	\$ 41,306
Differences between expected and actual experience	-	9,181
Net difference between projected and actual investment earnings on pension plan investments	-	11,182
Contributions subsequent to the measurement date	20,953	-
Total	<u>\$ 28,436</u>	<u>\$ 61,669</u>

The \$20,953 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2016	\$ (15,380)
2017	(15,380)
2018	(15,380)
2019	(3,516)
2020	(4,529)
Totals	<u>\$ (54,185)</u>

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
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Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions which, accordingly apply to both 2015 and 2014 measurements:

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2015 and 2014:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2015	2014
Large Cap Equities	22.50%	3.00%	3.25%
Small/Mid Cap Equities	7.50%	3.00%	3.25%
Total domestic equity	<u>30.00%</u>		
Int'l Equities (unhedged)	13.00%	4.00%	4.25%
Emerging Int'l Equities	7.00%	6.00%	6.75%
Total international equity	<u>20.00%</u>		
Core Bonds	4.50%	(0.70%)	(0.47%)
Short Duration	2.50%	(1.00%)	0.00%
Global Multi-Sector Fixed Income	11.00%	0.28%	0.00%
Unconstrained Fixed Income	7.00%	0.16%	0.00%
Total fixed income	<u>25.00%</u>		
Private equity	5.00%	5.50%	5.75%
Private debt	5.00%	4.50%	5.00%
Real estate	10.00%	3.50%	3.25%
Opportunistic	5.00%	2.75%	2.50%
Total alternative investments	<u>25.00%</u>		
Total	<u>100.00%</u>		

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2015	\$ 550,747	\$ 418,383	\$ 305,542
June 30, 2014	\$ 581,364	\$ 441,376	\$ 323,275
June 30, 2013	\$ 633,882	\$ 494,440	\$ 377,225

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 17 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2015, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. These entities are considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2015, to be recorded as an insurance expenditure totaled \$16,722. There were no unpaid contributions for the year ended December 31, 2015.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Program is a pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2015 to December 31, 2015 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Alexandria billed and paid for the year ended December 31, 2015 was \$12,675 for workers' compensation.

NOTE 18 – CONTINGENCIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 19 – JOINT VENTURE

The Town entered into an agreement with the Alexandria Volunteer Fire Department to provide fire protection services to cover the period from January 1, 2015 through December 31, 2015. The Alexandria Volunteer Fire Department is a non-profit corporation which is organized for the purpose of providing firefighting and prevention services to the residents of Alexandria.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 29, 2016, the date the December 31, 2015 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2015

Fiscal Year End	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2015	June 30, 2015	0.01056116%	\$ 418,383	\$ 282,069	148.33%	65.47%
December 31, 2014	June 30, 2014	0.01175879%	\$ 441,376	\$ 354,051	124.66%	66.32%
December 31, 2013	June 30, 2013	0.01148849%	\$ 494,440	\$ 421,950	117.18%	59.81%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT G
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2015

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2015	June 30, 2015	\$ 35,431	\$ 35,431	\$ -	\$ 282,069	12.56%
December 31, 2014	June 30, 2014	\$ 38,148	\$ 38,148	\$ -	\$ 354,051	10.77%
December 31, 2013	June 30, 2013	\$ 28,567	\$ 28,567	\$ -	\$ 421,950	6.77%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2015.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2015:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2014
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Other Information:

Notes Contribution rates for Fiscal Year 2015 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

COMBINING AND INDIVIDUAL FUND SCHEDULES

*SCHEDULE 1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2015*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 964,681	\$ 1,019,522	\$ 54,841
Land use change	2,000	1,125	(875)
Yield	18,300	21,656	3,356
Payment in lieu of taxes	3,000	3,000	-
Interest and penalties on taxes	54,000	56,111	2,111
Total from taxes	<u>1,041,981</u>	<u>1,101,414</u>	<u>59,433</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	250,000	281,517	31,517
Building permits	1,500	400	(1,100)
Other	8,000	8,767	767
Total from licenses, permits, and fees	<u>259,500</u>	<u>290,684</u>	<u>31,184</u>
Intergovernmental:			
State:			
Meals and rooms distribution	78,529	78,529	-
Highway block grant	78,370	79,043	673
State and federal forest land reimbursement	605	605	-
Total from intergovernmental	<u>157,504</u>	<u>158,177</u>	<u>673</u>
Charges for services:			
Income from departments	20,000	17,301	(2,699)
Miscellaneous:			
Sale of municipal property	33,000	33,449	449
Interest on investments	-	49	49
Other	1,300	9,070	7,770
Total from miscellaneous	<u>34,300</u>	<u>42,568</u>	<u>8,268</u>
Other financing sources:			
Transfers in	65,900	66,084	184
Total revenues and other financing sources	1,579,185	<u>\$ 1,676,228</u>	<u>\$ 97,043</u>
Unassigned fund balance used to reduce tax rate	100,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 1,679,185</u>		

*SCHEDULE 2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2015*

	Appropriations	Expenditures	Variance Positive (Negative)
Current:			
General government:			
Executive	\$ 75,998	\$ 72,566	\$ 3,432
Election and registration	4,880	4,065	815
Financial administration	103,636	100,979	2,657
Revaluation of property	22,253	22,318	(65)
Legal	33,600	26,139	7,461
Planning and zoning	7,830	6,626	1,204
General government buildings	30,500	36,741	(6,241)
Cemeteries	14,710	15,779	(1,069)
Insurance, not otherwise allocated	17,500	16,672	828
Advertising and regional associations	19,373	19,405	(32)
Other	3,050	2,052	998
Total general government	<u>333,330</u>	<u>323,342</u>	<u>9,988</u>
Public safety:			
Police	206,118	206,706	(588)
Ambulance	39,606	39,606	-
Fire	20,900	20,900	-
Emergency management	8,568	3,185	5,383
Total public safety	<u>275,192</u>	<u>270,397</u>	<u>4,795</u>
Highways and streets:			
Highways and streets	527,810	494,238	33,572
Bridges	30,000	22,163	7,837
Street lighting	3,300	2,898	402
Total highways and streets	<u>561,110</u>	<u>519,299</u>	<u>41,811</u>
Sanitation:			
Solid waste disposal	159,546	169,009	(9,463)
Health:			
Administration	4,000	1,018	2,982
Health agencies	21,552	21,552	-
Total health	<u>25,552</u>	<u>22,570</u>	<u>2,982</u>
Welfare:			
Direct assistance	22,300	19,346	2,954
Culture and recreation:			
Parks and recreation	28,574	29,955	(1,381)
Patriotic purposes	500	361	139
Total culture and recreation	<u>29,074</u>	<u>30,316</u>	<u>(1,242)</u>
Conservation	630	791	(161)
Debt service:			
Principal of long-term debt	25,000	25,000	-
Interest on long-term debt	10,251	8,112	2,139
Interest on tax anticipation notes	200	5	195
Total debt service	<u>35,451</u>	<u>33,117</u>	<u>2,334</u>
Capital outlay	197,000	197,000	-
Other financing uses:			
Transfers out	40,000	40,000	-
Total appropriations, expenditures, and other financing uses	<u>\$ 1,679,185</u>	<u>\$ 1,625,187</u>	<u>\$ 53,998</u>

SCHEDULE 3
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2015

Unassigned fund balance, beginning, as restated (see Note 15)		\$ 655,025
Changes:		
Unassigned fund balance used to reduce 2015 tax rate		(100,000)
2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 97,043	
Unexpended balance of appropriations (Schedule 2)	<u>53,998</u>	
2015 Budget surplus		151,041
Increase in nonspendable fund balance		(20,239)
Increase in restricted fund balance		(69,588)
Increase in committed fund balance		<u>(10,000)</u>
Unassigned fund balance, ending		606,239
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To comply with generally accepted accounting principles		
by deferring property taxes not collected within 60 days of fiscal year-end		(91,355)
Elimination of the allowance for uncollectible taxes		<u>30,000</u>
Unassigned fund balance, ending GAAP basis (Exhibit C-1)		<u><u>\$ 544,884</u></u>

SCHEDULE 4
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2015

	Special Revenue Funds			Capital Project Fund	Total
	Conservation Commission	Police Detail	Transfer Station	Town Hall	
ASSETS					
Cash and cash equivalents	\$ 19,172	\$ 11,094	\$ 13,210	\$ -	\$ 43,476
Accounts receivable	-	900	-	-	900
Interfund receivable	3,075	-	-	-	3,075
Total assets	<u>\$ 22,247</u>	<u>\$ 11,994</u>	<u>\$ 13,210</u>	<u>\$ -</u>	<u>\$ 47,451</u>
LIABILITIES					
Interfund payable	\$ -	\$ 305	\$ -	\$ -	\$ 305
FUND BALANCES					
Committed	22,247	11,689	13,210	-	47,146
Total liabilities and fund balances	<u>\$ 22,247</u>	<u>\$ 11,994</u>	<u>\$ 13,210</u>	<u>\$ -</u>	<u>\$ 47,451</u>

SCHEDULE 5
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2015

	Special Revenue Funds			Capital Project Fund	Total
	Conservation Commission	Police Detail	Transfer Station	Town Hall	
Revenues:					
Taxes	\$ 1,125	\$ -	\$ -	\$ -	\$ 1,125
Charges for services	-	4,650	3,870	-	8,520
Total revenues	<u>1,125</u>	<u>4,650</u>	<u>3,870</u>	<u>-</u>	<u>9,645</u>
Expenditures:					
Current:					
Public safety	-	3,784	-	-	3,784
Conservation	4,128	-	-	-	4,128
Total expenditures	<u>4,128</u>	<u>3,784</u>	<u>-</u>	<u>-</u>	<u>7,912</u>
Net change in fund balances	(3,003)	866	3,870	-	1,733
Fund balances, beginning, as restated (see Note 15)	<u>25,250</u>	<u>10,823</u>	<u>9,340</u>	<u>-</u>	<u>45,413</u>
Fund balances, ending	<u>\$ 22,247</u>	<u>\$ 11,689</u>	<u>\$ 13,210</u>	<u>\$ -</u>	<u>\$ 47,146</u>



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY

To the Members of the Board of Selectmen
Town of Alexandria
Alexandria, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Alexandria as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Alexandria's internal control over financial reporting as a basis for designing audit procedures that are appropriate in circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correct, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency:

Transfer Station Cash Receipts (Repeat Comment)

During our review of the internal controls over the Transfer Station receipts, it was noted that cash receipts were not kept in a secure location prior to deposit. The Transfer Station attendants will take funds home with them to avoid leaving funds at the Transfer Station. This practice opens the Town to the threat of a loss or theft of cash while it is in the attendant's possession. We recommend that all receipts be kept in a secure location (at Town Hall, or secured at the Transfer Station) prior to deposit to the Town's bank account.

This communication is intended solely for the information and use of management, Board of Selectmen, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

June 29, 2016

*Plodzik & Sanderson
Professional Association*